

ASSEMBLY BILL

No. 2887

Introduced by Committee on Insurance (Assembly Members Daly (Chair), Bigelow, Calderon, Cooley, Dababneh, Frazier, Gatto, Gonzalez, and Rodriguez)

February 25, 2016

An act to amend Section 11780.5 of the Insurance Code, relating to the State Compensation Insurance Fund.

LEGISLATIVE COUNSEL'S DIGEST

AB 2887, as introduced, Committee on Insurance. State Compensation Insurance Fund: out-of-state-risks.

Existing law creates the State Compensation Insurance Fund administered by a board of directors for the purpose of transacting workers' compensation insurance, insurance against the expense of defending any suit for serious and willful misconduct against an employer or his or her agent, and insurance for employees and other persons for the compensation fixed by the workers' compensation laws for employees and their dependents.

Existing law authorizes the fund to insure a California employer against the employer's liability for workers' compensation benefits, under the law of any other state, for California employees temporarily working outside of California on a specific assignment if the fund insures the employer's other employees who work within California. Existing law also provides, among other things, that, until December 31, 2016, the fund is only authorized, pursuant to the above provisions, to insure a qualified employer whose principal place of business is in California, provided the majority of the employer's operations and employees are located within California, against the employer's liability

for workers' compensation benefits, under the law of any other state, if the fund insures the employees who work within California. The fund is prohibited, until December 31, 2016, from initiating paid advertising or soliciting sponsorship of advertising campaigns to market or promote to prospective insureds the ability to insure qualified employers under the law of any other state.

This bill would delete the requirement that the above provisions be inoperative as of December 31, 2016. The bill would also delete obsolete provisions.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 11780.5 of the Insurance Code is
2 amended to read:

3 11780.5. (a) The fund may also insure a California employer
4 against his or her liability for workers' compensation benefits,
5 under the law of any other state, for California employees
6 temporarily working outside of California on a specific assignment
7 if the fund insures the employer's other employees who work
8 within California.

9 (b) (1) The fund is only authorized under this subdivision to
10 insure an employer whose principal place of business is in
11 California, provided the majority of the employer's operations and
12 employees are located within California, against his or her liability
13 for workers' compensation benefits, under the law of any other
14 state, if the fund insures the employer's employees who work
15 within California.

16 (2) The fund is only authorized pursuant to this subdivision to
17 contract as a reinsurer with a ceding insurer that has responded to
18 a request for proposal from the fund and is admitted to transact
19 workers' compensation insurance in California and in the
20 out-of-state jurisdiction where the non-California employees are
21 located. The fund may only contract for purposes of this
22 subdivision if the ceding insurer meets all of the following criteria:

23 (A) The insurer has an A minus (A-) rating or better from A.M.
24 Best Company.

25 (B) The insurer has substantial prior experience in transacting
26 workers' compensation business on another insurer's behalf.

1 (C) The insurer has a minimum surplus of one hundred million
2 dollars (\$100,000,000).

3 ~~(e) On or before March 1, 2015, the Department of Insurance~~
4 ~~shall provide to the Secretary of the Senate and Chief Clerk of the~~
5 ~~Assembly, pursuant to Section 9795 of the Government Code, a~~
6 ~~report assessing the experience of the fund that is authorized~~
7 ~~pursuant to subdivision (b) and shall make recommendations~~
8 ~~concerning its continuation, limitation, or expansion with special~~
9 ~~attention to the extent of advantages this practice offers California~~
10 ~~employers, the California workers' compensation marketplace,~~
11 ~~and the impact of this class of insurance, whether pro or con, on~~
12 ~~the fund, its management, and the California marketplace. The~~
13 ~~report shall be posted on the Department of Insurance Internet~~
14 ~~Web site upon completion. The costs incurred by the Department~~
15 ~~of Insurance in the assessment, writing, and publication of this~~
16 ~~report shall be provided by the fund.~~

17 ~~(d)~~

18 (c) The fund shall not initiate paid advertising or solicit
19 sponsorship of advertising campaigns to market or promote to
20 prospective insureds the ability to insure qualified employers under
21 the law of any other state.

22 ~~(e) Subdivisions (b), (c), and (d) shall be operative only until~~
23 ~~December 31, 2016.~~